



HOUSE APPROPRIATIONS GENERAL GOVERNMENT

SUBCOMMITTEE PRESENTATION

APRIL 25, 2012

N.C. Transportation Museum

1. Describe the scope of the site, including any parts run by the Friends or Foundation.

The North Carolina Transportation Museum (NCTM) is located on the grounds of the historic Spencer Shops – one of the few remaining intact early 20th century railroad locomotive facilities in the United States. A majority of the buildings still standing (in excess of 200,000 square feet) were used originally in steam locomotive repair and maintenance. First constructed in 1896, it quickly became the largest steam locomotive repair facility in the Southern Railway system.

In its heyday, Spencer Shops covered 72 acres and employed over 3,000 people. Today it is comprised of 18 major structures situated on 57 acres. The primary public facilities include the Master Mechanics Office, Bob Julian Roundhouse, Back Shop, Power House and Flue Shop, as well as a number of support structures. Spencer Shops is listed on the National Register of Historic Places.

The 37-stall Bob Julian Roundhouse & Turntable is one of the largest remaining roundhouses in North America still in continuous operation. In recognition of that significance, it was designated a National Mechanical Engineering Landmark in 2010.

The Museum provides exhibits on all aspects of the history of transportation in North Carolina, including railroads, automobiles, trucking, and air travel. The Museum and the NCTM Foundation offer on-site rail rides, as well as special events and activities throughout the year.

2. What are the budget requirements to do these functions – how much does it cost to run the TOTAL operation? (What was spent last year FY10-11, what is budgeted this year FY11-12, and what is budgeted for FY12-13?)

In FY 2010-2011 the N.C. Transportation Museum expended \$954,071 in appropriated funds and received direct support in the amount of \$124,367 from the NCTM Foundation. In addition, the Foundation expended another \$220,662 to operate a rail ride, which boosted attendance at the Museum and enhanced the visitor experience.

In FY 2010-11, total operational cost, including the rail ride, amounted to \$1,299,100.

In the current year, FY2011-2012, the Museum's total operational budget is \$894,550, including \$138,102 in direct Foundation support. **With an additional \$200,000 in rail ride expenditures (NCTM Foundation budget), the annual site budget is \$1,094,550.**

With changes made and additional revenue realized, the required budget for FY2012-2013 is \$787,961, which includes \$174,170 in direct Foundation support. Without the restoration of \$400,000 in state appropriations, the annual budget shrinks to only \$386,500, which is not sustainable.



HOUSE APPROPRIATIONS GENERAL GOVERNMENT SUBCOMMITTEE PRESENTATION APRIL 25, 2012

N.C. Transportation Museum

This extremely limited budget would **reduce the Museum staff to only 5 FTEs** and would shrink the **public operating hours to 10:00 am-4:00 pm Thursday-Sunday**, during which time the rail ride would continue to function.

In addition to the reduced operating schedule, the lack of funding and Museum staff would necessitate a significant reduction in special events and programs, which attract large numbers of the public and generate significant income for the Museum. **This downward spiral, if not arrested by additional outside funding, would threaten the continued existence of the Museum.**

3. Briefly describe the context behind or reasons for the FY11-12 and FY12-13 reductions.

The General Assembly slated a 50 percent reduction to the museum appropriation in FY2011-2012, with the elimination of all appropriated funds planned for FY2012-2013. Under the present plan, the Museum is scheduled to be totally receipts-supported by July 1, 2012 – only one year after transitioning to 50% appropriation. It will not be feasible for the Museum to continue without any state appropriation.

4. What are the funding sources that support these requirements – are there certain funding sources that are tied specifically to some operations of the site? This should include resources from the Foundation/Friends groups.

The Museum operations are currently funded primarily by the following funding sources:

(1) state appropriation, (2) admission fees, (3) donations, and (4) site rental fees.

Direct operational funding is also provided by the NCTM Foundation from the following sources:

(1) gift shop receipts, (2) membership fees, (3) rail excursion fees, (4) grants, and (5) donations.

The Foundation funds the on-site rail ride through ticket sales and uses volunteers to staff it. The Museum and Foundation execute special events and related activities on a cost-sharing basis. The Foundation also pays for approximately \$60,000 annually in advertising for museum special events and programs.



HOUSE APPROPRIATIONS GENERAL GOVERNMENT

SUBCOMMITTEE PRESENTATION

APRIL 25, 2012

N.C. Transportation Museum

5. How will these funding sources change in FY 12-13 and what are the plans to increase non-General Fund revenue? (This should include Foundation/Friends groups' plans.)

All appropriated funds are slated to be discontinued July 1, 2012. This will reduce the Museum budget by \$576,000. This will not be sustainable. The Museum must receive at least \$400,000 in state appropriation to augment the new ticket revenue and other new sources of income that have been instituted. Looking ahead, as revenues are increased, the Museum will be able to target additional sources of income to enable future growth and expansion of programs. The state appropriation will simply provide a base level of operations with the minimal number of staff to keep operations ongoing.

The Museum is slated to receive a higher percentage of ticket revenue from the large "Thomas the Tank" special event in FY2012-2013 and is expanding both its site rental program and its slate of special events and programs to generate additional revenue. The Foundation likewise plans to grow its level of direct annual support.

6. How have these plans been implemented so far this year? What has been the result? What are the projections for next year?

The Museum began charging an admission fee (\$5.00 for adults) for the first time in its history on July 1, 2011. As of March 2012, the number of paid visitors stands at 47,253, with the total paid visitation projected at 72,580 for FY2011-2012. Total of all visitation (paid, members, unpaid) is anticipated to be 97,132 in FY 2011-2012.

In addition, the museum began collecting all funds received from the Turntable ride, which had previously been collected by the Foundation, and likewise began collecting from the Foundation a portion of the proceeds from gift shop sales, membership fees, and the annual rail excursions.

Besides generating additional revenue, the museum reduced operating expenses by eliminating 4 FTEs and leaving another 3 positions vacant. This action reduced its full-time staff by approximately one-third to 11 FTEs.

The projected revenue from all sources for direct support of museum operations is \$386,500 and the requirements are \$787,961.

7. What is the gap, if any, between next year's requirements and the total of appropriations plus projected receipts, including funds from Friends, endowment, Foundation and Commissions or other funding sources?

The projected cost to operate the Museum at the present level, exclusive of the Foundation's rail ride, for FY2012-2013 is \$787,961. **Without any state appropriation, the projected revenue is \$386,500, leaving a gap of \$401,461.**



HOUSE APPROPRIATIONS GENERAL GOVERNMENT

SUBCOMMITTEE PRESENTATION

APRIL 25, 2012

N.C. Transportation Museum

8. What are the plans to address this gap? How will the requirements be reduced and what is the impact to the site?

The museum, with assistance from the Foundation, plans to expand and aggressively market special events and programs. Additionally, the Foundation is exploring how it can expand its financial commitment to direct funding for Museum operations next year. Both the Museum and the Foundation are likewise seeking funds from a variety of outside sources including corporate sponsorships, grants, and individual gifts to alleviate the projected shortfall in operational revenues.

Failure to receive this additional funding from both the Foundation and other sources, including state appropriations, will result in a severe reduction in the operations of the Museum.

- The operating schedule will be reduced to 3.5 days per week, Thursday – Sunday, and the number of special events will be reduced to no more than 8 per year.
- The staff will be reduced to 5 FTEs.
- Maintenance and repair activities will be reduced to only those essential to public health and safety.
- The immediate result of such a reduction will be to cut the amount of revenue generated by the museum, thus further reducing its ability to function and generate revenue in the future.
- **The ultimate result of this drastic approach will be the closure of the Museum within 2 years.**

9. What is the anticipated gap going forward? Is it expected to remain constant, increase or decrease over time as receipts increase? Please explain.

The gap will continue to be approximately \$400,000 for the near term and will persist until the economic downturn has ended and the Museum and Foundation are able to jointly establish a strong and productive statewide development effort. At this level of appropriation, the cost/visitor will be \$4.12 – one of the lowest of any state operated venue.

As the economy improves and the development effort generates significant funds, the Museum can slowly expand, broaden, and more effectively market its exhibits, special events, and programs. This will, in turn, generate more revenue to sustain the Museum.

The ultimate goal is to generate 65 percent of all operational funding, with the remainder to be provided by the state.



HOUSE APPROPRIATIONS GENERAL GOVERNMENT SUBCOMMITTEE PRESENTATION APRIL 25, 2012

N.C. Transportation Museum

10. Are there any statutory or policy changes that you would recommend to assist the sites in their operations?

State purchasing requirements should be relaxed to allow the Museum to search the market for the best goods at the best prices. This flexibility will save time and will promote far more efficient use of available funding. It will likewise insure access to products tailored to the museum's needs and an enhanced support of local businesses. For instance:

- Exhibit materials can often be purchased off the shelf at local vendors quicker and less expensively than through the e-procurement system.
- Car rags, needed to maintain the historic automobile collection, can be purchased more cheaply through local vendors than through e-procurement.
- The purchase of a single component needed for the repair of an intrusion alarm system through the e-procurement system took an entire month. The state purchasing system is not designed to handle emergency requests in a timely manner.

Graphs, addendums attached include:

2006 Economic Impact Study Data on NCTM
FY2012-13 Proposed Budget – N.C. Transportation Museum
Site Map